

BYLAWS
OF
WILLIAMS FIVE CONDOMINIUM OWNERS ASSOCIATION

CONTENTS

1.	PLAN OF CONDOMINIUM OWNERSHIP.....	1
1.1	Name and Location.....	1
1.2	Principal Office.....	1
1.3	Purposes.....	1
1.4	Applicability of Bylaws.....	1
1.5	Composition of Association.....	1
1.6	Incorporation.....	1
1.7	Definitions.....	2
2.	MEETINGS OF ASSOCIATION.....	2
2.1	Administrative Control.....	2
2.2	Turnover Meeting.....	2
2.3	Annual Meetings.....	2
2.4	Special Meetings.....	2
2.5	Place of Meetings.....	3
2.6	Notice of Meetings.....	3
2.7	Voting.....	3
2.8	Absentee Ballots, Proxies and Other Methods of Voting.....	3
2.9	Fiduciaries and Joint Owners.....	4
2.10	Tenants and Contract Vendors.....	4
2.11	Quorum of Unit Owners.....	4
2.12	Majority Vote.....	5
2.13	Order of Business.....	5
2.14	Rules of Order.....	5
2.15	Ballot Meetings.....	5
3.	BOARD OF DIRECTORS.....	7
3.1	Number and Qualification.....	7
3.2	Interim Directors.....	7
3.3	Transitional Committee.....	7
3.4	Election and Term of Office.....	7
3.5	Vacancies.....	8

3.6	Removal of Directors.....	8
3.7	Powers and Duties.....	8
3.8	Managing Agent or Manager.....	10
3.9	Contracts Entered into by Declarant or Interim Board.....	11
3.10	Organizational Meeting.....	11
3.11	Regular and Special Meetings.....	11
3.12	Open Meetings.....	12
3.13	Waiver of Notice.....	12
3.14	Quorum of Board of Directors.....	13
3.15	Compensation.....	13
3.16	Liability and Indemnification of Directors, Officers, Manager or Managing Agent.....	13
3.17	Insurance.....	13
4.	OFFICERS.....	13
4.1	Designation.....	13
4.2	Election of Officers.....	14
4.3	Removal of Officers.....	14
4.4	Chairperson.....	14
4.5	Secretary.....	14
4.6	Treasurer.....	14
4.7	Execution of Instruments.....	15
4.8	Compensation of Officers.....	15
5.	BUDGET, EXPENSES AND ASSESSMENTS.....	15
5.1	Budget.....	15
5.2	Determination of Common Expenses.....	15
5.3	Assessment of Common Expenses.....	16
	(a) Obligation to Pay.....	16
	(b) Working Capital Fund.....	16
	(c) Commencement of Regular Operating Expense Assessments.....	17
	(d) Commencement of Assessment for Replacement Reserves.....	17
5.4	Special or Extraordinary Assessments.....	17
	(a) Special Assessments for Capital Improvements.....	17

	(b) Other Special or Extraordinary Assessments.....	17
5.5	Replacement Reserves.....	18
	(a) Establishment of Account.....	18
	(b) Funding of Account.....	18
	(c) Reserve Studies.....	18
	(d) Use of Reserve Funds.....	19
	(e) Sale of Units.....	19
5.6	Default in Payment of Assessments.....	19
5.7	Foreclosure of Liens for Unpaid Assessments.....	20
5.8	Statement of Assessments.....	20
5.9	Priority of Lien; First Mortgages.....	20
5.10	Liability of Subsequent Purchaser for Unpaid Assessments.....	21
6.	RECORDS AND AUDITS.....	21
6.1	General Records.....	21
6.2	Financial Records and Accounts.....	21
6.3	Assessment Roll.....	21
6.4	Payment of Vouchers.....	22
6.5	Reports and Audits.....	22
6.6	Notice of Sale, Mortgage, Rental or Lease.....	22
6.7	Availability of Records.....	22
6.8	Statement of Assessments Due.....	22
7	MAINTENANCE AND USE OF CONDOMINIUM PROPERTY.....	23
7.1	Maintenance and Repair.....	23
	(a) Units.....	23
	(b) Common Elements.....	23
7.2	Additions, Alterations or Improvements.....	23
7.3	Restrictions and Requirements Respecting Use of Condominium Property.....	24
	(a) Residential Units.....	24
	(b) Live/Work Units.....	25
	(d) Use of Common Elements.....	25
	(e) Nuisances and Unlawful Activities.....	26

	(f) Animals.....	26
	(g) Exterior lighting or noisemaking devices and antennas.	26
	(h) Windows, Balconies, and Outside Walls.	27
	(i) Signs.....	27
	(j) Trash.	27
	(k) Insurance.....	27
	(l) Water Beds.....	27
	(m) Washing Machines. 28	
	(n) Balconies.....	28
	(o) Association Rules and Regulations.....	28
7.4	Leasing and Rental of Units.....	28
7.5	Failure to Follow Maintenance Plan.	30
7.6	Abatement and Enjoining of Violations.	30
8.	INSURANCE.....	31
8.1	Types of Insurance.....	31
	(a) Property Damage Insurance.....	31
	(b) Liability Insurance.	31
	(c) Workers' Compensation Insurance.	32
	(d) Fidelity Insurance.....	32
	(e) Directors' and Officers' Liability Insurance.	33
	(f) Insurance by Unit Owners.	33
8.2	Other Insurance Requirements.....	33
8.3	Optional Provisions.....	35
8.4	FannieMae and GNMA Requirements.	35
9	AMENDMENTS TO BYLAWS	35
9.1	How Proposed.....	35
9.2	Adoption.	36
9.3	Execution and Recording.....	36
10	LITIGATION.....	36
10.1	By Less than All Owners.....	36
10.2	Complaints Against.....	37
10.3	Mediation.....	37

10.4	Limitations on Actions.....	37
10.5	No Attorneys' Fees.....	38
10.6	Suits Against Declarant.....	38
10.7	Initial Dispute Resolution Procedures.	38
11	MISCELLANEOUS	38
11.1	Notices.	38
11.2	Waiver.....	38
11.3	Action Without a Meeting.	38
11.4	Invalidity; Number; Captions.	39
11.5	Conflicts.....	39

**BYLAWS OF
WILLIAMS FIVE CONDOMINIUM OWNERS ASSOCIATION**

1. PLAN OF CONDOMINIUM OWNERSHIP

1.1 Name and Location.

These are the bylaws of the Williams Five Condominium Owners Association (the "Association"). Williams Five Condominium is located in the City of Portland, Multnomah County, Oregon, and has been submitted to the Oregon Condominium Act by a Declaration recorded simultaneously with these Bylaws (the "Declaration"). The location of the Condominium is more specifically described in the Declaration.

1.2 Principal Office.

The principal office of the Association shall be located at such address as may be designated by the board of directors from time to time.

1.3 Purposes.

This Association is formed under the provisions of the Oregon Condominium Act to serve as the means through which the unit owners may take action with regard to the administration, management and operation of the Condominium.

1.4 Applicability of Bylaws.

These Bylaws are applicable to the Condominium and are expressly subject to the terms and provisions contained in the Declaration and in the Articles of Incorporation of the Association (the "Articles"). The Association, all unit owners, and all persons using the Condominium property shall be subject to these Bylaws and to all rules and regulations that may be adopted pursuant to these Bylaws.

1.5 Composition of Association.

The Association shall be composed of all the unit owners of the Condominium, including Williams Five LLC and its successors and assigns (the "Declarant"), and the Association itself, to the extent any of these own any unit or units of the Condominium.

1.6 Incorporation.

The Association shall be incorporated under the Oregon Non-Profit Corporation Law. The Articles of Incorporation of the Association shall be consistent with the Declaration and these Bylaws, and these Bylaws shall constitute the bylaws of the incorporated association.

1.7 Definitions.

The definitions contained in or adopted by the Declaration shall be applicable to these Bylaws.

2. MEETINGS OF ASSOCIATION

2.1 Administrative Control.

Notwithstanding any other provisions of these Bylaws, until the Turnover Meeting, the Declarant shall have the powers and authorities reserved to the Declarant in Section 17 of the Declaration.

2.2 Turnover Meeting.

Within three (3) years after the date of conveyance of the first unit to a person other than a successor declarant, or within ninety (90) days after Declarant has sold and conveyed to a person other than a successor declarant seventy-five percent (75%) or more of the units in the Condominium, whichever is earlier, the Declarant shall call the first meeting of the unit owners to organize the Association and to elect directors. Notice of such meeting shall be given to all owners as provided in Section 2.6. If Declarant fails to call the meeting, the meeting may be called and notice given by any unit owner or mortgagee of a unit. At the turnover meeting, Declarant shall relinquish control of the administration of the Association to the unit owners, and the unit owners shall assume control; the owners shall elect a board of directors as set forth in these Bylaws; and the Declarant shall deliver to the Association the information and documents specified in ORS 100.210(5). Nothing in this Section shall be construed as preventing the Declarant from calling the organizational and turnover meeting prior to such date, or from calling informal, informational meetings of the unit owners.

2.3 Annual Meetings.

The annual meetings of the Association shall be held on such date each year as may be established by the board of directors from time to time, or if the board does not establish such a date, then in the month of February at such hour and on such date as the chairperson may designate, or if the chairperson should fail to designate such date by the first day of February then on the last Tuesday in February. The annual meetings shall be for the purpose of electing directors and for the transaction of such other business as may properly come before the meeting.

2.4 Special Meetings.

Special meetings of the Association may be called by the chairperson or by a majority of the board of directors. A special meeting of the Association must be called by the chairperson or secretary upon receipt of a written request from at least forty

percent (40%) of the units stating the purpose of the meeting. The notice of any special meeting shall state the purpose, time, and place of such meeting. No business shall be transacted at a special meeting except as stated in the notice provided.

2.5 Place of Meetings.

The Association shall hold meetings at such suitable place convenient to the unit owners as may be designated by the board of directors from time to time.

2.6 Notice of Meetings.

Notice of the annual meeting and all other meetings of the Association stating the time and place and the purpose or purposes for which the meeting is being called shall be given by the chairperson or secretary. Such notice shall be in writing and mailed not less than ten (10) days or more than fifty (50) days prior to the date of the meeting to each unit owner at his or her address as it appears on the books of the Association and to any first mortgagee requesting such notice. Proof of such mailing shall be given by the affidavit of the person giving the notice. For a period of ten (10) years following recording of the Declaration, notices of meetings shall also be given to Declarant in the same manner as given to unit owners, and Declarant or a representative of Declarant shall be entitled to attend such meetings. Notice of meeting may be waived by any unit owner before or after meetings. When a meeting is adjourned for less than thirty (30) days, no notice of the adjourned meeting need be given other than by announcement at the meeting at which such adjournment takes place.

2.7 Voting.

Each owner of a unit shall have one vote for each unit of the Condominium owned by such unit owner. Where any unit is owned jointly by two or more owners, there shall be only one vote for such unit. However, Declarant shall have two (2) votes for each unit owned by Declarant until the earlier of: (a) when Declarant has sold and conveyed to a person other than a successor declarant seventy-five percent (75%) or more of the units in the Condominium; or (b) three (3) years after the date of the first conveyance of a unit to a person other than a successor declarant. The Declarant shall be entitled to vote as the unit owner of any then existing units retained by the Declarant, and the board of directors shall be entitled to vote on behalf of any unit that has been acquired by or on behalf of the Association; provided, however, that the board of directors shall not be entitled to vote such units in any election of directors.

2.8 Absentee Ballots, Proxies and Other Methods of Voting.

A vote may be cast in person, by absentee ballot in compliance with ORS 100.427(3), by written ballot in lieu of a meeting in compliance with ORS 100.425, by proxy in compliance with ORS 100.427(2), or by any other method specified by the Declaration, these Bylaws or the Act, including electronic ballot. A proxy given by a unit

owner to any person who represents such owner at meetings of the Association shall be in writing, signed and dated by such owner, and shall be filed with the secretary at any time prior to or at the start of the meeting. An owner may not revoke a proxy given pursuant to this Section except by actual notice of revocation to the person presiding over a meeting or to the board of directors if a vote is being conducted by written ballot in lieu of a meeting. A proxy shall not be valid if it is undated or purports to be revocable without notice. A proxy shall terminate one year after its date unless the proxy specifies a shorter term. Every proxy shall automatically cease upon sale of the unit by its owner. A unit owner may pledge or assign such owner's voting rights to a mortgagee. In such a case, the mortgagee or its designated representative shall be entitled to receive all notices to which the unit owner is entitled under these Bylaws and to exercise the unit owner's voting rights from and after the time that the mortgagee shall give written notice of such pledge or assignment to the board of directors. Any first mortgagee may designate a representative to attend all or any meetings of the Association.

2.9 Fiduciaries and Joint Owners.

An executor, administrator, guardian or trustee may vote, in person or by proxy, at any meeting of the Association with respect to any unit owned or held in such capacity, whether or not the same shall have been transferred to his or her name; provided, that such person shall satisfy the secretary that he or she is the executor, administrator, guardian or trustee, holding such unit in such capacity. Whenever any unit is owned by two or more persons jointly, according to the records of the Association, the vote or proxy of such unit may be exercised by any one of the owners then present, in the absence of protest by a co-owner. In the event of disagreement among the co-owners, the vote of such unit shall be disregarded completely in determining the proportion of votes given with respect to such matter unless a valid court order establishes the authority of a co-owner to vote.

2.10 Tenants and Contract Vendors.

Unless otherwise expressly stated in the rental agreement or lease, all voting rights allocated to a unit shall be exercised by the owner/landlord. Unless otherwise stated in the contract, all voting rights allocated to a unit shall be exercised by the vendee of any recorded land sale contract on the unit.

2.11 Quorum of Unit Owners.

At any meeting of the Association, members holding fifty percent (50%) of the voting rights, present in person or by proxy, shall constitute a quorum. The subsequent joinder of a unit owner in the action taken at a meeting by signing and concurring in the minutes of the meeting shall constitute the presence of such person for the purpose of determining a quorum. When a quorum is once present to organize a meeting, it cannot be broken by the subsequent withdrawal of a unit owner or owners. If any meeting of

members cannot be organized because of a lack of quorum, the owners who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is present. However, a quorum shall not be necessary to proceed with and hold a binding turnover meeting.

2.12 Majority Vote.

The vote of the holders of more than fifty percent (50%) of the voting rights, present in person or by proxy at a meeting at which a quorum is constituted, shall be binding upon all unit owners for all purposes except where a higher percentage vote is required by law, by the Declaration or by these Bylaws.

2.13 Order of Business.

The order of business at annual meetings of the Association shall be:

- (a) Calling of the roll and certifying of proxies;
- (b) Proof of notice of meeting or waiver of notice;
- (c) Reading of minutes of preceding meeting;
- (d) Reports of officers;
- (e) Reports of committees, if any;
- (f) Election of directors;
- (g) Unfinished business;
- (h) New business; and
- (i) Adjournment.

2.14 Rules of Order.

Unless other rules of order are adopted by resolution of the Association or the board of directors, all meetings of the Association shall be conducted according to the latest edition of *Robert's Rules of Order* published by Robert's Rules Association.

2.15 Ballot Meetings.

(a) At the discretion of the board of directors, any action that may be taken at any annual, regular or special meeting of the Association may be taken without a meeting if the Association delivers a written ballot to every member that is entitled to vote on the matter; provided, however, that a ballot meeting may not substitute for the turnover

meeting described in Section 2.2 or, if a majority of the units are the principal residences of the occupants, for the annual meetings of the Association. The written ballot shall set forth each proposed action and provide an opportunity to vote for or against each proposed action.

(b) The board of directors shall provide owners with at least ten (10) days' notice before written ballots are mailed or otherwise delivered. If, at least three (3) days before written ballots are scheduled to be mailed or otherwise distributed, at least twenty percent (20%) of the owners petition the board of directors requesting secrecy procedures, a written ballot must be accompanied by a secrecy envelope, a return identification envelope to be signed by the owner and instructions for marking and returning the ballot. The notice shall state the general subject matter of the vote, the right of the owners to request secrecy procedures, the date after which ballots may be distributed, the date and time by which any petition must be received by the board requesting secrecy procedures and the address where any petition must be received. Notwithstanding the applicable provisions of paragraph (c) of this Section, written ballots that are returned in secrecy envelopes may not be examined or counted before the deadline for returning ballots has passed.

(c) If approval of a proposed action would otherwise require a meeting at which a certain quorum must be present and at which a certain percentage of total votes cast is required to authorize the action, the proposal will be deemed to be approved when the date for return of ballots has passed, a quorum of unit owners has voted and the required percentage of approving votes has been received. Otherwise, the proposal shall be deemed to be rejected. If approval of a proposed action otherwise would require a meeting at which a specified percentage of unit owners must authorize the action, the proposal shall be deemed to be approved when the percentage of total votes cast in favor of the proposal equals or exceeds such required percentage. The proposal shall be deemed to be rejected when the number of votes cast in opposition renders approval impossible or when both the date for return of ballots has passed and such required percentage has not been met. Except as otherwise provided in paragraph (b) of this Section, votes may be counted from time to time before the final return date to determine whether the proposal has passed or failed by the votes already cast on the date they are entered.

(d) All solicitations for votes by written ballot shall state the number of responses needed to meet any applicable quorum requirement and the total percentage of votes needed for approval. All such solicitations for votes shall specify the period during which the Association will accept written ballots for counting, which period shall end on the earliest of (i) the date on which the Association has received a sufficient number of approving ballots to pass the proposal, or (ii) the date on which the Association has received a sufficient number of disapproving ballots to render the proposal impossible of passage, or (iii) a date certain on which all ballots must be returned to be counted. A written ballot may not be revoked.

3. BOARD OF DIRECTORS

3.1 Number and Qualification.

The affairs of the Association shall be governed by a board of directors composed of one (1) interim director or three (3) regular directors, as provided in Sections 3.2 and 3.4 below. All directors, other than interim directors appointed by Declarant, shall be owners or co-owners of units of the Condominium. For purposes of this Section, the officers, members, partners and any duly appointed employees of any corporation, limited liability company or partnership shall be considered co-owners of any units owned by such corporation, limited liability company or partnership.

3.2 Interim Directors.

Upon the recording of the Declaration submitting the Condominium to the Oregon Condominium Act, the Declarant shall appoint an interim board of one (1) director, who shall serve until replaced by Declarant or his or her successors have been elected by the unit owners as provided below.

3.3 Transitional Committee.

Unless the turnover meeting described in Section 2.2 above has already been held, Declarant shall call a meeting of the unit owners for the purpose of forming a transitional committee. The meeting shall be called within sixty (60) days of conveyance to persons other than Declarant of sixty percent (60%) of the units. Declarant shall give notice of the meeting as provided in Section 2.6 above. The committee shall consist of two or more members elected by the unit owners other than Declarant and not more than one representative of Declarant. The members shall serve until the organizational and turnover meeting. The transitional committee shall be advisory only and its purpose shall be to enable ease of transition from control of the administration of the Association by the Declarant to control by the unit owners. The committee shall have access to the information, documents and records that Declarant must turn over to the unit owners at the time of the organizational and turnover meeting. If Declarant fails to call the meeting to elect a transitional committee within the time specified, the meeting may be called and notice given by any unit owner.

3.4 Election and Term of Office.

At the turnover meeting called by Declarant pursuant to Section 2.2 of these Bylaws, the interim director shall resign and three (3) successors shall be elected, one (1) to serve until the next annual meeting and two (2) to serve until the second annual meeting after their election. The candidates receiving the greatest number of votes shall be elected to the two-year terms. Thereafter, at the expiration of the initial term of office of each respective director, his or her successor shall be elected to serve for a term of one year, so that the term of not more than two-thirds of the directors shall expire each year.

Directors shall hold office until their respective successors have been elected by the unit owners. Election shall be by plurality.

3.5 Vacancies.

Vacancies in the board of directors caused by any reason other than the removal of a director by a vote of the Association shall be filled by vote of the majority of the remaining directors, even though they may constitute less than a quorum, or by a sole remaining director. Each person so elected shall be a director until a successor is elected to fill the unexpired term at the next annual meeting of the Association or the next special meeting of the Association called for that purpose. Vacancies in interim directors shall be filled by Declarant.

3.6 Removal of Directors.

At any regular or special meeting of the Association duly called, any one or more of the directors, other than interim directors, may be removed with or without cause by a majority vote of the unit owners present in person or by proxy, and a successor shall be elected at that meeting to fill the vacancy thus created. The notice of any such meeting shall state that such removal is to be considered, and any director whose removal has been proposed shall be given an opportunity to be heard at that meeting.

3.7 Powers and Duties.

The board of directors shall have all of the powers and duties necessary for the administration of the affairs of the Association, except such powers and duties as by law or by the Declaration or by these Bylaws may not be delegated to the board of directors by the unit owners. The powers and duties to be exercised by the board of directors shall include, but shall not be limited to the following:

- (a) Operation, care, upkeep, maintenance, repair and replacement of the general and limited common elements and Association property.
- (b) Determination of the amounts required for operation, maintenance and other affairs of the Association, and the making of such expenditures.
- (c) Preparation and adoption of budgets, preparation, review and update of reserve studies and assessment and collection of the common expenses, all in accordance with the provisions of these Bylaws.
- (d) Employment and dismissal of such personnel as necessary for the efficient maintenance, upkeep and repair of the common elements.
- (e) Employment of legal, accounting or other personnel for reasonable compensation to perform such services as may be required for the proper administration

of the Association; provided, however, the board may not incur or commit the Association to incur legal fees in excess of \$5,000 for any specific litigation or claim matter or enter into any contingent fee contract on any claim in excess of \$50,000 unless the unit owners have enacted a resolution authorizing the incurring of such fees or contract by a vote of eighty percent (80%) of the total voting rights of the Association. These limitations shall not be applicable to legal fees incurred in defending the Association and the board of directors from claims or litigation brought against them. The limitations set forth in this paragraph shall increase by ten percent on each fifth anniversary of the recording of the Declaration. To the extent required by ORS 100.490, the board shall notify the owners prior to instituting litigation or administrative proceedings. With regard to any pending litigation involving the Association, the board shall periodically report to the unit owners as to the status (including settlement offers), progress, and method of funding such litigation. Nothing in this paragraph shall be construed as requiring the board to disclose any privileged communication between the Association and its counsel.

(f) Opening of bank accounts on behalf of the Association and designating the signatories required therefor.

(g) Preparation and distribution of annual financial statements in accordance with these Bylaws and annual preparation and filing of all required income tax returns or forms for the Association.

(h) Purchasing units of the Condominium at foreclosure or other judicial sales in the name of the Association, or its designee, on behalf of all the unit owners as provided in these Bylaws.

(i) Selling, leasing, mortgaging, voting the votes appurtenant to (other than for the election of directors), or otherwise dealing with units of the Condominium acquired by the Association or its designee on behalf of all the unit owners.

(j) Obtaining insurance or bonds pursuant to the provisions of these Bylaws and at least annually review the insurance coverage of the Association.

(k) Making additions and improvements to, or alterations of, the common elements; provided, however, that no such project may be undertaken by the board if the total cost will exceed the amount of two thousand dollars (\$2,000) unless such project is authorized by majority vote of the members, except that no such vote shall be required for work that is urgently needed for life, safety or structural integrity reasons. This limitation shall not be applicable to maintenance, repairs or replacement undertaken pursuant to paragraph (a) above. The limitation set forth in this paragraph shall increase by \$500 on each anniversary of the recording of the Declaration.

(l) Modify, close, remove, eliminate or discontinue the use of a general common element facility or improvement or portion of the common element landscaping.

(m) Designating one or more committees which, to the extent provided in the resolution designating the committee, shall have the powers of the board of directors in the management of the affairs of the Association. At least one member of each committee shall be a member of the board of directors.

(n) Enforcement by legal means of the provisions of the Oregon Condominium Act, the Declaration, these Bylaws and any rules and regulations adopted hereunder. Nothing in these Bylaws shall be construed as requiring the Association to take any specific action to enforce violations.

(o) Maintain a current mailing address for the Association, file an Annual Report and any amendment in accordance with ORS 100.250, and maintain and keep current the information required for the Association to comply with ORS 100.480(7).

(p) Subject to the restrictions in subsection (e) above, initiate or intervene in litigation or administrative proceedings (including mediation under Section 10 of these Bylaws) in the name of the Association, and without joining the individual unit owners, as permitted under ORS 100.405(4)(e) and (11); provided that no litigation or administrative proceeding may be initiated on a matter relating to or affecting the unit or interest of a unit owner unless the unit owner has consented in writing to such action after full disclosure of the potential cost, duration and outcomes of the proposed litigation or administrative proceeding.

(q) Establish, periodically update, and implement a Maintenance Plan that identifies those components of the common elements requiring periodic maintenance, including a maintenance manual defining how and when such maintenance should be performed and setting forth the estimated cost of such maintenance. The Maintenance Plan shall provide for not less than annual inspections of the property for evidence of water intrusion or other needed repairs by a knowledgeable independent party, and the board shall reasonably address any matters revealed by the inspection. For a period of ten (10) years following recording of the Declaration, Declarant shall be notified prior to the inspections, shall have a right for Declarant or its employees or contractors to be present during the inspections and have a right to receive a copy of the inspection reports. The operating and reserve budgets of the Association shall take into account the costs of complying with the Maintenance Plan. Changes or updates to the Maintenance Plan should be based upon the advice of competent experts or consultants.

3.8 Managing Agent or Manager.

On behalf of the Association, the board of directors may employ or contract for a managing agent or a manager at a compensation to be established by the board of

directors. Any such management agreement shall be terminable by the Association upon not more than 90 days' written notice thereof. The board of directors may delegate to the managing agent or manager such duties and powers as the board of directors may authorize. In the absence of such appointment, the board of directors shall act as manager provided, however, that the board of directors may not terminate professional management and assume self-management unless the decision to do so is approved by at least sixty percent (60%) of the total voting power of the Association.

3.9 Contracts Entered into by Declarant or Interim Board.

Notwithstanding any other provision of these Bylaws, any management contracts, service contracts or employment contracts entered into by the Declarant or the interim board on behalf of the Association shall have a term not in excess of three years. In addition, any such contract shall provide that it may be terminated without cause or penalty by the Association or board of directors upon not less than 30 days' notice to the other party given not later than 60 days after election of the permanent board at the turnover meeting described in Section 2.2 of these Bylaws or in the case of management contracts, at any time after such turnover meeting.

3.10 Organizational Meeting.

Unless otherwise agreed by the board, within fourteen (14) days following the annual meeting of the Association or following any meeting at which an election of directors has been held, the board of directors shall hold an organization meeting at such place and time as shall have been fixed by the directors at the meeting at which the election was held.

3.11 Regular and Special Meetings.

Regular meetings of the board of directors may be held at such time and place as shall be determined, from time to time, by a majority of the directors. Special meetings of the board of directors may be called by the chairperson and must be called by the secretary at the written request of at least two directors. Notice of any special meeting shall be given to each director, personally or by mail, telephone or telegraph at least seven (7) days prior to the day named for such meeting, and shall state the time, place and purpose of such meeting. For a period of ten (10) years following recording of the Declaration, notices of meetings shall also be given to Declarant in the same manner as given to Directors. Unless other rules of order are adopted by resolution of the Association or the board of directors, all meetings of the board of directors shall be conducted according to the latest edition of *Robert's Rules of Order* published by Robert's Rules Association.

3.12 Open Meetings.

(a) All meetings of the board of directors shall be open to unit owners and, for a period of ten (10) years following recording of the Declaration, to Declarant or a representative of Declarant, except that, in the discretion of the board, the following matters may be considered in executive session: (i) consultation with legal counsel concerning the rights and duties of the Association regarding existing or potential litigation, or criminal matters; (ii) personnel matters, including salary negotiations and employee discipline; (iii) negotiation of contracts with third parties; and (iv) collection of unpaid assessments. Except in the case of an emergency, the board of directors shall vote in an open meeting whether to meet in executive session. If the board of directors votes to meet in executive session, the presiding officer shall state the general nature of the action to be considered, as precisely as possible, when and under what circumstances the deliberations can be disclosed to owners. The statement, motion or decision to meet in the executive session shall be included in the minutes of the meeting, and any contract or action considered in executive session shall not become effective unless the board, following the executive session, reconvenes in open meeting and votes on the contract or action, which shall be reasonably identified in the open meeting and included in the minutes.

(b) Meetings of the board of directors may be conducted by telephonic communication or by other means of communication that allows all members of the board participating to hear each other simultaneously or otherwise to be able to communicate during the meeting, except that if a majority of the units are principal residences of the occupants, then: (i) for other than emergency meetings, notice of each board of directors' meeting shall be posted at a place or places on the property at least three (3) days prior to the meeting, or notice shall be provided by a method otherwise reasonably calculated to inform the unit owners of such meeting; and (ii) only emergency meetings of the board of directors may be conducted by telephonic communication or such other means. The meeting and notice requirements of this Section may not be circumvented by chance or social meetings or by any other means.

3.13 Waiver of Notice.

Any director may, at any time, waive notice of any meeting of the board of directors in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the board shall constitute a waiver of notice by such director, except where the director attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. If all of the directors are present at any meeting of the board, no notice to directors shall be required and any business may be transacted at such meeting.

3.14 Quorum of Board of Directors.

At all meetings of the board of directors, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the board of directors. If at any meeting of the board of directors less than a quorum should be present, a majority of those present may adjourn the meeting from time to time. At any such adjourned meeting at which a quorum is present, any business that might have been transacted at the meeting originally called may be transacted without further notice to directors.

3.15 Compensation.

No director shall receive any compensation from the Association for acting as such, but shall be reimbursed for any reasonable out-of-pocket expenses.

3.16 Liability and Indemnification of Directors, Officers, Manager or Managing Agent.

To the fullest extent authorized by law and the Articles, the personal liability of each director to the Association or its owners for monetary damages for conduct as a director shall be eliminated. Each director and officer and the manager or managing agent, if any, shall be indemnified and held harmless by the Association, to the fullest extent permitted by law, from and against all expenses and liabilities, including attorneys' fees, reasonably incurred or imposed upon such person in connection with any proceeding to which he or she may be a party, or in which he or she may become involved, by reason of being or having been a director, officer, manager or managing agent and shall be indemnified upon any reasonable settlement thereof. The foregoing rights of indemnification shall be in addition to and not exclusive of any and all other rights conferred on such persons under any agreement, vote of the owners, or otherwise.

3.17 Insurance.

The board of directors shall obtain the insurance and fidelity bonds required in Section 8 of these Bylaws. In addition, the board of directors, in its discretion, may obtain such other insurance as it deems necessary to protect the interests of the Association or unit owners.

4. OFFICERS

4.1 Designation.

The principal officers of the Association shall be the chairperson, the secretary and the treasurer, all of whom shall be elected by the board of directors. The chairperson

shall be a member of the board of directors, but the other officers need not be directors or unit owners.

4.2 Election of Officers.

The officers of the Association shall be elected annually, by the board of directors at the organization meeting of each new board and shall hold office at the pleasure of the board. If any office shall become vacant, the board of directors shall elect a successor to fill the unexpired term at any regular meeting of the board of directors, or at any special meeting of the board of directors called for such purpose.

4.3 Removal of Officers.

Upon the affirmative vote of a majority of the directors, any officer may be removed either with or without cause, and a successor may be elected at any regular meeting of the board of directors, or at any special meeting of the board of directors called for such purpose.

4.4 Chairperson

The chairperson shall be the chief executive officer of the Association. He or she shall preside at all meetings of the Association and of the board of directors. The chairperson shall have all of the general powers and duties that are usually vested in the chief executive officer of an association, including but not limited to the power to appoint committees from among the unit owners from time to time as the chairperson may in his or her discretion decide is appropriate to assist in the conduct of the affairs of the Association.

4.5 Secretary.

The secretary shall keep the minutes of all proceedings of the board of directors and the minutes of all meetings of the Association. He or she shall attend to the giving and serving of all notices to the unit owners and directors and other notices required by law. The secretary shall keep the records of the Association, except for those of the treasurer, and shall perform all other duties incident to the office of secretary of an association and as may be required by the directors or the chairperson. In addition, the secretary shall act as vice chairperson, taking the place of the chairperson and performing the chairperson's duties whenever the chairperson is absent or unable to act, unless the directors have appointed another vice chairperson.

4.6 Treasurer.

The treasurer shall have the responsibility for Association funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, and for the preparation of required financial

statements. He or she shall be responsible for overseeing the deposit of all money and other valuable effects in such depositories as may from time to time be designated by the board of directors, and shall disburse or cause to be disbursed funds of the Association upon properly authorized vouchers. The treasurer shall perform all other duties incident to the office of treasurer of an association and such other duties as may be assigned to him or her by the board of directors.

4.7 Execution of Instruments.

All agreements, contracts, deeds, leases and other instruments of the Association, except checks, shall be executed by such person or persons as may be designated by general or special resolution of the board of directors and, in the absence of any general or special resolution applicable to any such instrument, then such instrument shall be signed by the chairperson. All checks shall be signed by the treasurer, or in the absence or disability of the treasurer, by the chairperson or any duly elected assistant treasurer, or by the manager.

4.8 Compensation of Officers.

No officer who is a member of the board of directors shall receive any compensation from the Association for acting as an officer, unless such compensation is authorized by a resolution duly adopted by the unit owners. The board of directors may fix any compensation to be paid to any officers who are not also directors.

5. BUDGET, EXPENSES AND ASSESSMENTS

5.1 Budget

The board of directors shall from time to time, and at least annually, prepare a budget for the Association, estimate the common expenses expected to be incurred, less any previous overassessment and plus any underassessment, and assess the common expenses to each unit owner in the proportion set forth in the Declaration. The budget shall provide for a reserve fund in accordance with Section 5.5 below and shall take into account the Maintenance Plan adopted pursuant to Section 3.7(q) above. Within thirty (30) days after adopting the annual budget, the board of directors shall provide a summary of the budget to all owners, and shall advise each owner of the amount of common expenses payable by him or her. If the board of directors fails to adopt an annual budget, the last adopted budget shall continue in effect.

5.2 Determination of Common Expenses.

Common expenses shall include:

- (a) Expenses of administration, including management fees.

- (b) Expenses of maintenance, repair or replacement of common elements, any other portions of the Condominium required to be maintained by the Association pursuant to the Declaration or these Bylaws, and any Association property.
- (c) Cost of insurance or bonds obtained in accordance with these Bylaws.
- (d) A general operating reserve, including an amount sufficient to cover the deductible under the property damage insurance policy.
- (e) Reserve for replacements, repairs and maintenance.
- (f) Any deficit in common expenses for any prior period.
- (g) Utilities and services for the common elements and other utilities and services with a common meter or commonly billed, such as trash collection, water, and sewer.
- (h) Any other items properly chargeable as an expense of the Association.

5.3 Assessment of Common Expenses.

(a) Obligation to Pay.

All unit owners shall be obligated to pay the common expenses assessed to them by the board of directors on behalf of the Association pursuant to these Bylaws and the Declaration, including amounts applicable to the reserve fund described in Section 5.5 of these Bylaws. Assessments may not be waived due to limited use or nonuse of common elements, or by nonuse or abandonment by the owner of the owner's unit. A unit owner may not claim an offset against an assessment for failure of the Association to perform its obligations and no unit owner may offset amounts owing or claimed to be owing by the Association or Declarant to the unit owner. Declarant shall be assessed as the unit owner of any unsold unit, but such assessments shall be prorated to the date of sale of the unit. The board of directors, on behalf of the Association shall assess the common expenses against the unit owners from time to time, and at least annually, and shall take prompt action to collect from a unit owner any common expense due that remains unpaid for more than thirty (30) days from the due date for its payment. The board may elect to round assessments to the nearest dollar.

(b) Working Capital Fund.

At the time of closing of the initial sale of each unit to a person other than a successor declarant and thereafter on any subsequent sale of a unit, the purchaser shall make a contribution to the working capital of the Association equal to two months' regular association assessments for the unit, which sums shall be held in a segregated working capital fund established in the name of the Association. At the time of the

turnover meeting, the Declarant shall pay such contribution for all unsold units, but may obtain reimbursement for such sums from the purchaser upon the sale of each such unit. Such contribution shall be in addition to the regular monthly common expense assessment and shall not be considered as an advance payment of regular assessments. The working capital fund shall be transferred to the Association for deposit into a segregated fund at the time of the organizational and turnover meeting. Declarant may not use the working capital fund to defray any of Declarant's expenses, reserve contributions, or construction costs or to make up any budget deficits while Declarant is in control of the Association. After the turnover meeting, the board of directors, at its discretion, may use working capital funds for regular operating expenses, extraordinary items of maintenance, repair or replacement or capital additions, or may deposit all or a portion of such funds into the reserve account.

(c) Commencement of Regular Operating Expense Assessments.

Regular monthly assessments for common operating expenses shall commence upon closing of the first sale of a unit in the Condominium.

(d) Commencement of Assessment for Replacement Reserves.

Regular monthly assessments for replacement reserves as described in Section 5.5 for all units in the Condominium shall commence upon the closing of the sale of the first unit in the Condominium. Declarant may elect to defer payment of such reserve assessments to the Association for each unit owned by Declarant until the closing of the sale of such unit, but not beyond the date of the turnover meeting referred to in Section 2.2 above, or if no turnover meeting is held, the date the owners assume administrative control of the Association. The books and records of the Association shall reflect the amount owing from Declarant for all reserve assessments.

5.4 Special or Extraordinary Assessments.

(a) Special Assessments for Capital Improvements.

In the case of any duly authorized capital improvement to the common elements, the board of directors may by resolution establish separate assessments for the same, which may be treated as capital contributions by the unit owners, and the proceeds of which shall be used only for the specific capital improvements described in the resolution. The Association shall not assess units owned by the Declarant for additional capital improvements to the Condominium without the written consent of Declarant as long as Declarant owns more than one (1) unit.

(b) Other Special or Extraordinary Assessments.

In the event the board of directors determines that the assessments established upon adoption of the budget as provided in Section 5.1 above will be insufficient to pay

the common expenses, or the board of directors determines that additional funds will be needed to meet unexpected or unbudgeted common expenses, the board may levy an additional special or extraordinary assessment. Such assessment shall be allocated to each unit in the same proportion set forth in the Declaration, and may be payable in installments over a specified period, in a lump sum, or in a lump sum with option to pay in installments with interest, as determined by the board of directors.

5.5 Replacement Reserves.

(a) Establishment of Account.

The Declarant shall conduct a reserve study as required by the Oregon Condominium Act and described in paragraph 5.5(c) and establish a reserve account for replacement of those common elements all or a part of which will normally require replacement in more than three (3) and less than thirty (30) years, for significant future maintenance items as required by the Maintenance Plan established pursuant to Section 3.7(q) and for exterior painting if the common elements include exterior painted surfaces. The reserve account need not include those items that could reasonably be funded from operating assessments.

(b) Funding of Account.

The reserve account shall be funded by assessments against the individual units for the purposes for which the reserve account is being established, which sums shall be included in the regular monthly assessment for the unit, except as otherwise provided in Section 5.3. The reserve account shall be established in the name of the Association.

(c) Reserve Studies.

The board of directors annually shall conduct a reserve study or review and update an existing study to determine the reserve account requirements for the items described in paragraph (a) of this Section and may adjust the amount of payments in accordance with the study or review and may provide for other reserve items that the board of directors, in its discretion, may deem appropriate. The reserve account need not include items that could reasonably be funded from operating assessments. The reserve study shall include:

- (1) Identification of all items for which reserves are to be established;
- (2) The estimated remaining useful life of each item as of the date of the reserve study;
- (3) An estimated cost of maintenance, repair or replacement of each item at the end of its useful life;

(4) An update of the Maintenance Plan based upon the advice of competent experts or consultants; and

(5) A thirty (30) year plan with regular and adequate contributions, adjusted by estimated inflation and interest earned on reserves, to meet the maintenance, repair and replacement schedule.

(d) Use of Reserve Funds.

The reserve account shall be used only for the purposes for which the reserves have been established and shall be kept separate from other funds. After the turnover meeting described in Section 2.2, however, the board of directors may borrow funds from the reserve account to meet high seasonal demands on the regular operating funds or to meet unexpected increases in expenses if the board of directors has adopted a resolution, which may be an annual continuing resolution, authorizing the borrowing of funds. Not later than the adoption of the budget for the following year, the board of directors shall adopt by resolution a written payment plan providing for repayment of the borrowed funds within a reasonable period. In addition to the authority of the board of directors under paragraph 5.5(c), after the turnover meeting, the Association may, on an annual basis, elect not to fund the reserve account described in paragraph 5.5(a) by unanimous vote of the owners or elect to reduce or increase future assessments for the reserve account by an affirmative vote of at least eighty percent (80%) of the voting power.

(e) Sale of Units.

Nothing in this Section shall prohibit prudent investment of the reserve account. Assessments paid into the reserve account are the property of the Association and are not refundable to sellers of units. Sellers of the units, however, may treat their outstanding share of the reserve account as a separate item in any sales agreement.

5.6 Default in Payment of Assessments.

In the event of default by any unit owner in paying any assessments to the Association, including assessed common expenses and any other charge imposed or levied by the Association (including, but not limited to, reserve assessments or any other special assessments), such unit owner shall be obligated to pay interest on such assessments from the due date thereof, together with all expenses, including attorneys' fees, incurred by the Association in any proceeding brought to collect such unpaid expenses. No interest or late charges will be assessed if payment is made within thirty (30) days after the due date. Otherwise, delinquent payments of assessments shall bear interest from the original due date at a rate of twelve percent (12%) per annum. The board of directors may also adopt rules establishing and imposing charges for late payments of assessments. Establishment of any such late charges must be by resolution adopted by the board of directors that is delivered to each unit, mailed to the mailing

address of each unit, or mailed to the mailing addresses designated by the owners in writing. If a unit owner becomes more than sixty (60) days overdue on the payment of assessments, the board of directors may declare any remaining installments of assessments for the balance of the fiscal year immediately due and payable and may terminate the right to receive utility services paid for out of assessments or the right of access to and use of service facilities of the Condominium until assessments have been brought current. The board of directors shall have the right and duty to recover for the Association such overdue assessments, together with such charges, interest and expense of the proceeding, including attorneys' fees, by bringing legal action against such unit owner or by foreclosure of the lien upon the unit granted by the Oregon Condominium Act.

5.7 Foreclosure of Liens for Unpaid Assessments.

In any suit brought by the Association to foreclose a lien on a unit because of unpaid assessments, the unit owner shall be required to pay a reasonable rental for the use of the unit during the pendency of the suit, and the plaintiff in such foreclosure suit shall be entitled to the appointment of a receiver to collect such rental. The board of directors, acting on behalf of the Association, shall have the power to purchase such unit at the foreclosure sale and to acquire, hold, lease, mortgage, vote the votes appurtenant to, convey, or otherwise deal with the unit. A suit or action to recover a money judgment for unpaid assessments shall be maintainable without foreclosing the liens securing the same.

5.8 Statement of Assessments.

The board of directors shall advise each unit owner in writing of the amount of assessments payable by such owner, and furnish copies of each budget on which such assessments are based to all unit owners and, if requested, to their mortgagees. The board of directors shall promptly provide any unit owner who makes a request in writing with a written statement of the owner's unpaid assessments.

5.9 Priority of Lien; First Mortgages

Any lien of the Association against a unit for assessments shall be subordinate to tax and assessment liens and any first mortgage of record. Where the purchaser or mortgagee of a unit obtains title to the unit as a result of foreclosure of a first mortgage, such purchaser or mortgagee, its successors and assigns, shall not be liable for any of the assessments chargeable to such unit that became due prior to the acquisition of title to such unit by such purchaser or mortgagee. Such unpaid share of assessments shall be a common expense and reallocated on a pro rata basis for all units, including the mortgaged unit. The purchaser or mortgagee shall not be relieved of the obligation to pay further assessments. A deed in lieu of foreclosure accepted by the holder of a first mortgage shall extinguish a lien filed by the Association to secure unpaid assessments under the circumstances described in ORS 100.465.

5.10 Liability of Subsequent Purchaser for Unpaid Assessments.

In a voluntary conveyance of a unit, the grantee shall be jointly and severally liable with the grantor for all unpaid assessments against the grantor of the unit up to the time of the grant or conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefor. However, upon request of an owner or an owner's agent, for the benefit of a prospective purchaser, the board of directors shall make and deliver a statement of the unpaid assessments against the prospective grantor or the unit effective through a date specified in the statement, and the grantee in that case shall not be liable for any unpaid assessments against the grantor not included in the written statement.

6. RECORDS AND AUDITS

6.1 General Records.

The board of directors and the manager, if any, shall keep detailed records of the actions of the board of directors and the manager or manager, minutes of the meetings of the board of directors and minutes of the meetings of the Association. The board of directors shall maintain a Book of Resolutions containing the rules, regulations and policies adopted by the Association, board of directors and the manager. The board of directors shall maintain a list of owners entitled to vote at meetings of the Association and a list of all mortgagees of units. All documents, information and records delivered to the Association by the Declarant pursuant to ORS 100.210 and other records of the Association shall be kept within the State of Oregon for the time periods specified in ORS 100.480.

6.2 Financial Records and Accounts.

The board of directors or its designee shall keep within the State of Oregon financial records sufficient for proper accounting purposes and as required by the Oregon Condominium Act. All assessments shall be deposited in a separate bank account, located in the State of Oregon, in the name of the Association. All expenses of the Association shall be paid from the Association's bank account.

6.3 Assessment Roll.

The assessment roll shall be maintained in a set of accounting books in which there shall be an account for each unit. Such account shall designate the name and address of the owner or owners, the amount of each assessment against the owners, the dates and amounts in which the assessment comes due, the amounts paid upon the account and the balance due on the assessments.

6.4 Payment of Vouchers.

The treasurer or manager shall pay all vouchers for all budgeted items and for any non-budgeted items up to \$1,000 signed by the chairperson, managing agent, manager or other person authorized by the board of directors. Any voucher for non-budgeted items in excess of \$1,000 shall require the authorization of the chairperson. Any checks written on reserve accounts must be signed by a member of the board of directors.

6.5 Reports and Audits.

An annual financial statement consisting of a balance sheet and income and expense statement for the preceding fiscal year shall be rendered by the board of directors to all unit owners and to all mortgagees of units who have requested the same within ninety (90) days after the end of each fiscal year. Upon written request, any holder, insurer or guarantor of a first mortgage shall be entitled to a copy of the annual financial statement for the immediately preceding fiscal year.

6.6 Notice of Sale, Mortgage, Rental or Lease.

Immediately upon the sale, mortgage, rental or lease of any unit, such unit owner shall promptly inform the secretary or manager of the name and address of the vendee, mortgagee, lessee, or tenant.

6.7 Availability of Records.

Except as otherwise provided in ORS 100.480(5)(b), during normal business hours or under other reasonable circumstances, the Association shall make reasonably available for examination and, upon written request, available for duplication, by unit owners, lenders and holders, insurers, or guarantors of any first mortgage that make the request in good faith for a proper purpose, current copies of the Declaration, bylaws, other rules concerning the Condominium, amendments or supplements to such documents, and the books, records, financial statements and current operating budget of the Association. The Association, within ten (10) business days after receipt of a written request by a unit owner, shall furnish copies of such documents to the requesting unit owner. Upon written request, the Association shall make such documents, information and records available to such persons for duplication during reasonable hours. The board of directors, by resolution, may adopt reasonable rules governing the frequency, time, location, notice and manner of examination and duplication of Association records and the imposition of a reasonable fee for furnishing copies of such documents, information or records. The fee may include reasonable personnel costs incurred to furnish the information.

6.8 Statement of Assessments Due.

Within ten (10) business days of receipt of a written request from an owner, or owner's agent for the benefit of a prospective purchaser of such owner's unit(s), the

Association shall provide a written statement that provides: (a) the amount of assessments due from the owner and unpaid at the time the request was received, including regular and special assessments, fines and other charges, accrued interest, and late payment charges; (b) the percentage rate at which interest accrues on assessments that are not paid when due; and (c) the percentage rate used to calculate the charges for late payment or the amount of a fixed rate charge for late payment. The Association is not required to comply with this Section if the Association has commenced litigation by filing a complaint against the owner and the litigation is pending when the statement would otherwise be due.

7 MAINTENANCE AND USE OF CONDOMINIUM PROPERTY

7.1 Maintenance and Repair.

Except as otherwise provided in Section 7.3 for damage or destruction caused by casualty:

(a) Units.

All maintenance of and repairs to any unit shall be made by the owner of such unit, who shall keep the same in good order, condition and repair and shall do all redecorating, painting and staining that at any time may be necessary to maintain the good appearance and condition of the unit. In addition, each unit owner shall be responsible for the maintenance, repair, or replacement of window glass, interior doors, any plumbing, heating or air conditioning fixtures, telephones, water heaters, fans, vents, lighting fixtures and lamps, electrical outlets, blinds, garbage disposals, fireplaces, refrigerators, dishwashers, ranges, or other appliances and accessories that may be in or connected with such owner's unit. The Association, however, may repair or replace, at the Association's expense, portions of units to the extent reasonably necessary for the preservation of the common elements in good condition and working order.

(b) Common Elements.

All maintenance, repairs and replacements to the general and limited common elements and to Association property shall be made by the Association and shall be charged to the unit owners as a common expense, in the method identified in Section 8.2 of the Declaration and Exhibit B to the Declaration. Each unit owner shall keep the limited common elements that pertain to such owner's unit in a safe, neat, clean and sanitary condition.

7.2 Additions, Alterations or Improvements.

(a) A unit owner may not make any improvements or alterations to such owner's unit without first notifying the Association and obtaining approval by the board of directors of the proposed alteration. The owner shall have the burden of establishing,

to the reasonable satisfaction of the board of directors, that the proposed improvements or alterations will not impair the structural integrity or mechanical systems of the Condominium, lessen the support of any portion of the Condominium, jeopardize the soundness or safety of the Condominium, reduce its value, impair any easement, increase the common expenses, or increase sound transmissions to other units. The board of directors may elect to require contractors to coordinate their access and working hours so as to minimize disruption to the Condominium. A unit owner shall reimburse the Association for any actual costs incurred by the Association in reviewing and monitoring such alterations.

(b) After acquiring an adjoining unit or an adjoining part of an adjoining unit, a unit owner may submit a written request to the board of directors for permission to remove or alter any intervening partition or to create apertures therein, even if the partition in whole or in part is a common element. The board of directors shall approve the change unless it determines within forty-five (45) days that the proposed change will impair the structural integrity or mechanical systems of the Condominium or lessen the support of any portion of the Condominium. The board of directors may require the unit owner, at such owner's own expense, to submit an opinion of a registered architect or registered professional engineer that the proposed change will not impair the structural integrity or mechanical systems of the Condominium or lessen the support of any portion of the Condominium. Removal of partitions or creation of apertures under this paragraph is not an alteration of boundaries.

(c) A unit owner may not change the appearance of the common elements or the exterior appearance of a unit without the prior written permission of the board of directors. No person shall install wiring for electrical or telephone installation, television antennas or satellite dishes, machines or air conditioning units, or similar devices on the exterior of the Condominium or cause them to protrude through the walls or the roof of the Condominium except as authorized by the board of directors. No exterior window guards, awnings, or shades shall be installed without prior consent of the board of directors.

7.3 Restrictions and Requirements Respecting Use of Condominium Property.

The following restrictions and requirements are in addition to all other restrictions and requirements contained in the Declaration and these Bylaws:

(a) Residential Units.

The three Residential Units are designated as Unit 5228, Unit 5226 and Unit 5224. Except as expressly permitted in these Bylaws or the Declaration, or as otherwise permitted by board approval (with such conditions as the board may establish), each Residential Unit shall be occupied and used only as a private residence and for no other

purpose. Without the prior consent of the board of directors, no more than five persons may live in a Residential Unit on a permanent basis. No commercial activities shall be carried on in any Residential Unit; however, this provision shall not prevent the owner of a Residential Unit from using his or her unit as a "home office" from which the owner conducts some of his or her business affairs, provided: (a) the average number of daily trips attributable to the unit for business purposes does not exceed six, (b) the number of nonresidential occupants such as employees using the unit does not exceed two, (c) there are no signs visible outside of the unit, and (d) the home office use does not cause any infiltration of noise, radiation, vibration, fumes, odor or the like into other units to any degree that would unreasonably interfere with other unit owners' use and enjoyment of their property and/or common areas. Units may not be used exclusively for office use even if the use would comply with the limitations stated above for home offices. Nothing contained in this Section 7.3(a) shall prevent the Declarant or Declarant's successors and assigns from completing the units and the building they are in, maintaining units as models for display purposes, and otherwise maintaining construction or sales offices displays and signs.

(b) Live/Work Units.

The two Live/Work Units are located adjacent to Williams Avenue, and are designated as Unit 5232 and Unit 5230. The two upper floors of the Live/Work Units may only be used for residential purposes. However, the ground floor of the Live/Work Units may be used for any of the allowed business uses specifically identified in Section 10.2 of the Declaration, or a combination of residential and business use as allowed by the Declaration and these Bylaws.

Without the prior consent of the board of directors, no more than five persons may live in a Live/Work Unit on a permanent basis. Business use of the Live/Work Units shall be limited to between the hours of 9:00 am and 6:00 pm from Monday through Saturday. Without the prior consent of the board of directors, no more than five people may work in a Live/Work Unit at any one time, including the unit owner. Use of the Live/Work Units shall not cause any infiltration of noise, radiation, vibration, fumes, odor or the like into other units to any degree that would unreasonably interfere with other unit owners' use and enjoyment of their property and/or common areas. Signage for business purposes in the Live/Work Units is allowed only in the provided sign brackets. No other signage is allowed, specifically including but not limited to signs in windows, or on balconies or doorways.

(d) Use of Common Elements.

The common elements shall be used for the furnishing of services and facilities for which the same are reasonably intended, for the enjoyment of the units. The use, operation and maintenance of the common elements shall not be obstructed, damaged or unreasonably interfered with by any unit owner.

(e) Nuisances and Unlawful Activities.

No nuisances or noxious or offensive activities shall be carried on in any unit nor shall anything be done in or placed upon any unit or common element that interferes with or jeopardizes the use and enjoyment of other units or the common elements or which is a source of annoyance to residents. Unit occupants shall exercise extreme care not to make unreasonable noises that may disturb other unit occupants, including the use of musical instruments, radios, televisions and amplifiers. Speakers for audio equipment may not be mounted on or against walls or floors without an adequate sound barrier to prevent vibration and unreasonable transmission of bass sounds outside of the unit. Occupants may not discard or throw items out of windows or from decks, including, without limitation cigarettes or ashes. No unlawful use shall be made of the Condominium nor any part thereof, and all valid laws, zoning ordinances, and regulations of all governmental bodies having jurisdiction thereof shall be observed. Owners and other occupants shall not engage in any abusive or harassing behavior, either verbal or physical, or any form of intimidation or aggression directed at other owners, occupants, guests, or invitees, or directed at the manager, its agents or employees, or vendors.

(f) Animals.

No animals or fowls shall be raised, kept or permitted within the Condominium or any part thereof, except domestic dogs, cats, or other ordinary household pets. No such dogs, cats or household pets shall be permitted to run at large or be kept, bred or raised for commercial purposes or in excess of three (3) per unit (other than fish). Dogs larger than seventy (70) pounds are prohibited without prior approval by the board of directors. Any inconvenience, damage or unpleasantness caused by such pets shall be the responsibility of the respective owners thereof, and owners shall be responsible for clean up and removal of wastes of their animals. All pets shall be kept under reasonable control at all times and shall be carried or kept on a leash while outside a unit. Each owner and occupant shall be responsible for seeing that his or her pets do not endanger health, make objectionable noise or odor, or otherwise constitute a nuisance or inconvenience to the owners and occupants of other units. The board of directors, after notice and a hearing, may require the permanent removal of any animal that the board determines to be a danger to the health and safety of any occupant in the Condominium, or otherwise to be a nuisance within the Condominium. The board may find that an animal is a nuisance if the animal or its owner continues to violate these Bylaws or the rules regulating pets after receipt by the owner of a written demand from the board to comply with these Bylaws or the rules.

(g) Exterior lighting or noisemaking devices and antennas.

Except with the consent of the board of directors of the Association, no exterior lighting or noisemaking devices shall be installed or maintained on any unit. Seasonal holiday lighting and decorations are permissible if consistent with any applicable rules

and regulations and if removed within thirty (30) days after the celebrated holiday. Exterior antennas, satellite receiver and transmission dishes and other communication devices shall not be permitted to be placed upon any unit or common element except in accordance with rules established by the board of directors.

(h) Windows, Balconies, and Outside Walls.

In order to preserve the attractive appearance of the Condominium, garments, rugs, laundry, sheets, reflective surfaces and other similar items may not be hung from windows, facades, or balconies. The board of directors of the Association may adopt rules regulating the nature of items that may be placed in or on windows, balconies, and the outside walls so as to be visible from other units, the common elements, or outside the Condominium.

(i) Signs.

Unless written approval is first obtained from the board of directors, no sign of any kind shall be displayed to the public view on or from any Live/Work Unit or Residential Unit, or on the common elements except for: (i) the signage bracket provided for business uses in the Live/Work Units; and (ii) signs used by the Declarant to advertise units for sale or lease.

(j) Trash.

No part of any unit or any part of the common elements shall be used or maintained as a dumping ground for rubbish, trash, garbage, recycling materials or other waste. No garbage, trash, recycling materials or other waste shall be kept or maintained on any part of the property, except in sanitary containers in the designated areas.

(k) Insurance.

Nothing shall be done or kept in any unit or in the common elements that will increase the cost of insurance on the common elements. No owner shall permit anything to be done or kept in his or her unit or in the common elements that will result in cancellation of insurance on any unit or any part of the common elements.

(l) Water Beds.

Water beds may not be placed in any unit, except with the prior consent of the board of directors. If such consent is given, the unit owner shall carry insurance covering damage caused by the water bed and shall be responsible for all damages to any unit or the common elements that might be caused by the water bed.

(m) Washing Machines.

Each unit contains a washing machine hookup. The unit owner shall be responsible for all damages to any unit or the common elements that might be caused by the washing machine or leakage from the washing machine.

(n) Balconies.

Balconies of Units shall not be used for storage of any kind or keeping of pets. No more than two bicycles may be parked on a balcony at any one time. Garments, rugs, laundry, sheets, reflective surfaces and other similar items may not be hung from balconies. No unit owner shall do anything to overload a balcony, including watering potted plants on the balcony in such a way as to overload such balcony.

(o) Association Rules and Regulations.

In addition, the board of directors from time to time may adopt, modify, or revoke such rules and regulations governing the conduct of persons and the operation and use of the units and common elements as it may deem necessary or appropriate in order to assure the peaceful and orderly use and enjoyment of the Condominium property, including, without limitation, establishment of reasonable administrative fees, such as fees for new owner set-up and owner's packet, move-in and move-out fees, etc. Any action by the board of directors adopting, modifying or revoking any rule or regulation may be overruled by a vote of not less than seventy-five percent (75%) of the voting rights present, in person or by proxy, at any meeting, the notice of which shall have stated that such adoption, modification or revocation of rules and regulations will be under consideration. A copy of the rules and regulations, upon adoption, and a copy of each amendment, modification or revocation thereof, shall be delivered by the secretary promptly to each unit owner and shall be binding upon all unit owners and occupants of all units from the date of delivery.

7.4 Leasing and Rental of Units.

(a) Any owner who wishes to lease or rent his or her unit must meet each of the following requirements, and the lease or rental agreement will be subject to these requirements whether or not they are included within the lease or rental agreement:

- (1) all leases and rentals must be in writing;
- (2) the unit may not be rented for transient or hotel purposes, and all leases and rentals shall be for a term of not less than 30 days;
- (3) the lease or rental must be for the entire unit and not merely parts of the unit, unless the owner remains in occupancy;

(4) all such leases and rentals shall be subject in all respects to provisions of the Declaration, these Bylaws, and all rules and regulations adopted by the board;

(5) all owners who lease or rent their units shall promptly notify the Association in writing of the names and contact information for all tenants and occupants of the leased unit, and shall provide the Association with a complete copy of the lease or rental agreement. All owners leasing their unit shall notify the Association of the address and telephone number where such owner can be reached.

(b) Any failure of a tenant to comply with the Declaration, Bylaws, and Association rules and regulations, shall be a default under the lease or rental agreement, regardless of whether the lease or rental agreement so provides. In the event of any such default, the owner immediately shall take all actions to cure the default including, if necessary, eviction of the tenant.

(c) If any tenant is in violation of the provisions of the Declaration, Bylaws, or rules and regulations of the Association, the Association may bring an action in its own name and/or in the name of the owner to have the tenant evicted and/or to recover damages. If the court finds that the tenant is violating, or has violated any of the provisions of the Declaration, these Bylaws, or the rules and regulations of the Association, the court may find the tenant guilty of unlawful detainer notwithstanding the fact that the owner is not the plaintiff in the action and/or the tenant is not otherwise in violation of tenant's lease. The remedy provided by this subsection is not exclusive and is in addition to any other remedy or remedies which the Association may have. If permitted by present or future law, the Association may recover all its costs, including court costs and reasonable attorneys' fees incurred in prosecuting the unlawful detainer action.

(d) The Association shall give the tenant and the owner notice in writing of the nature of the violation, and twenty (20) days from the mailing of the notice in which to cure the violation before the Association may file for eviction.

(e) Each owner shall provide a copy of the Declaration, these Bylaws and all rules and regulations of the Association to each tenant of his or her unit. By becoming a tenant, each tenant agrees to be bound by the Declaration, these Bylaws and the rules and regulations of the Association, and recognizes and accepts the right and power of the Association to evict a tenant for any violation by the tenant of the Declaration, these Bylaws, and rules and regulations of the Association.

7.5 Failure to Follow Maintenance Plan.

The Association shall perform all inspections and maintenance as recommended by the Maintenance Plan described in Section 3.7(q) above and shall make such repairs and maintenance as may be necessary to reasonably address the results of the inspections. If the Association fails to follow such maintenance and inspection requirements, then neither the Association nor any unit owner shall have any claim against Declarant or its design professionals, contractors and subcontractors and their consultants, including without limitation, all of their officers, members, directors, employees, agents, brokers and affiliates, for loss or damage to the extent the same results from such failure to follow the Maintenance Plan, and shall indemnify such persons and entities from and against claims by unit owners or other persons or entities for loss or damage resulting from such failure.

7.6 Abatement and Enjoining of Violations.

The violation of any provision of the Declaration or these Bylaws, of any rule or regulation adopted pursuant to these Bylaws, or of any decision of the Association made pursuant to such documents, shall give the board of directors, acting on behalf of the Association, the right, in addition to any other rights set forth in these Bylaws, to do any or all of the following after giving written notice and an opportunity to be heard:

- (a) to summarily abate and remove, at the expense of the defaulting unit owner, any structure, thing, or condition that may exist contrary to the intent and meaning of such provisions, and the board of directors shall not thereby be deemed guilty of any manner of trespass, provided, however, that judicial proceedings shall be instituted before any items of construction may be altered or demolished; or
- (b) to enjoin, abate, or remedy such thing or condition by appropriate legal proceedings; or
- (c) to levy reasonable fines based upon a resolution adopted by the board of directors that is delivered to each unit, mailed to the mailing address of each unit or mailed to the mailing address designated by the owner of each unit in writing; or
- (d) to terminate the right to receive utility services paid for out of assessments or the right of access to and use of recreational and service facilities of the Condominium until the correction of the violation has occurred.

The offending unit owner shall be liable to the Association for a reasonable administrative fee as established by the board of directors and all costs and attorneys' fees incurred by the Association, whether or not legal proceedings are instituted and including attorneys' fees at trial, in arbitration or on appeal or petition for review, together with any

expense incurred by the Association in remedying the default, damage incurred by the Association or unit owners, or fines so levied. Such sums shall be assessed against the offending unit as an assessment and enforced as provided in Section 5 of these Bylaws. In addition, any aggrieved unit owner may bring an action against such other unit owner or the Association to recover damages or to enjoin, abate, or remedy such thing or condition by appropriate legal proceedings.

8. INSURANCE

8.1 Types of Insurance.

Each unit owner shall be responsible for obtaining, at his or her own expense, insurance covering his or her property not insured under Section 8.1(a) and against his or her liability not covered under Section 8.1(b). For the benefit of the Association and the unit owners, the board of directors shall obtain and maintain at all times, and shall pay for out of the common expense funds, the following insurance:

(a) Property Damage Insurance.

(1) The Association shall maintain a policy or policies of insurance covering loss or damage from fire, with standard extended coverage and "all risk" endorsements, and such other coverages as the Association may deem desirable.

(2) The amount of the coverage shall be for not less than one hundred percent (100%) of the current replacement cost of the units and common elements (exclusive of land, foundation, excavation and other items normally excluded from coverage), subject to a maximum deductible of the lesser of \$10,000 or one percent (1%) of the policy amount.

(3) The policy or policies shall include all fixtures and building service equipment to the extent that they are part of the common elements and all personal property and supplies belonging to the Association, together with all fixtures, improvements and alterations comprising a part of each unit.

(4) Such policy or policies shall name the Association as insured, and shall provide for loss payable in favor of the Association, as a trustee for each unit owner and each such unit owner's mortgagee, as their interests may appear. The policies shall contain the standard mortgage clause, or equivalent endorsement (without contribution) that is commonly accepted by institutional mortgage investors in Oregon.

(b) Liability Insurance.

(1) The Association shall maintain comprehensive general liability insurance coverage insuring the Declarant, the Association, the board of directors,

the unit owners and the manager, against liability to the public or to the owners of units and of common elements, and their invitees or tenants, incident to the operation, maintenance, ownership or use of the property, including legal liability arising out of lawsuits related to employment contracts of the Association. There may be excluded from such policy or policies coverage of a unit owner (other than as a member of the Association or board of directors) for liability arising out of acts or omission of such unit owner and liability incident to the ownership and/or use of the part of the property as to which such unit owner has the exclusive use or occupancy.

(2) Limits of liability under such insurance shall not be less than one million dollars (\$1,000,000) on a combined single limit basis.

(3) Such policy or policies shall be issued on a comprehensive liability basis and shall provide a cross liability endorsement wherein the rights of named insured under the policy or policies shall not be prejudiced as respects his, her or their action against another named insured.

(c) Workers' Compensation Insurance.

The Association shall maintain workers' compensation insurance to the extent necessary to comply with any applicable laws.

(d) Fidelity Insurance.

(1) The Association shall maintain fidelity insurance for all officers, directors, trustees and employees of the Association and all other persons handling or responsible for funds of or administered by the Association. In the event the Association has retained a manager, such manager shall maintain fidelity insurance for its officers, employees and agents handling or responsible for funds of, or administered on behalf of, the Association. The cost of such insurance shall be at the expense of the Association.

(2) The total amount of fidelity insurance coverage required shall be based upon the best business judgment of the board of directors. In no event, however, may the aggregate amount of such insurance be less than the sum equal to three months' aggregate assessments on all units plus reserve funds.

(3) Such fidelity insurance shall name the Association as obligee and shall contain waivers by the issuers of the insurance of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees" or similar terms or expressions. The insurance shall provide that it may not be canceled or substantially modified (including cancellation for nonpayment of premium) without at least ten (10) days' prior written notice to the

Association and each servicer on behalf of the Federal National Mortgage Association ("FannieMae").

(e) Directors' and Officers' Liability Insurance.

The Association shall maintain a policy of directors' and officers' liability insurance with coverage in the amount of not less than One Million Dollars (\$1,000,000), subject to a reasonable deductible.

(f) Insurance by Unit Owners.

The Association has no responsibility to procure or assist in procuring property loss insurance for any owner or tenant for (i) damage to a unit or limited common elements not covered by the Association's policy (because of the deductible amount or because the claim for loss or damage is one not covered by fire and property loss insurance policies required by these Bylaws or held by the Association); or (ii) for any damage or loss to the owner's or tenant's personal property. Owners must be responsible for purchasing insurance policies insuring their units and appurtenant limited common elements for the deductible amount under the Association's policies and for insuring their own personal property for any loss or damage. Proof of such insurance coverage must be provided to the Association by the unit owner. Tenants must be responsible for insuring their own personal property for any loss or damage. The Association shall notify all owners of the amount of the deductible under the Association policies. To the extent reasonably practicable, the Association shall give at least thirty (30) days' notice to the owners of any increase in the deductible proposed in renewal or replacement insurance policies. Owners and tenants of all units must procure and maintain comprehensive liability policies having combined limits in amounts reasonably set by the board of directors no more often than every three years. Such insurance must provide coverage for, without limitation, the negligent acts of the owner and tenant and their guests or other occupants of the unit for damage to the general and limited common elements and other units and the personal property of others located therein.

8.2 Other Insurance Requirements.

Insurance obtained by the Association shall be governed by the following requirements:

(a) All policies shall be written with the State of Oregon or a company licensed to do business in the State of Oregon acceptable to FannieMae which falls into a "B" or better general policyholder's rating or a "6" or better financial performance index rating in Best's Insurance Reports, an "A" or better general policyholder's rating and a financial size category of "VIII" or better in Best's Insurance Reports - International Edition, an "A" or better rating in Demotech's Hazard Insurance Financial Stability Ratings, a "BBBq" qualified solvency ratio or a "BBB" or better claims-paying ability rating in

Standard and Poor's Insurer Solvency Review, or a "BBB" or better claims-paying ability in Standard and Poor's International Confidential Rating Service.

(b) Notwithstanding the provisions of Section 8.1 above, there may be named as an insured, on behalf of the Association, the Association's authorized representative, including any trustee with whom the Association may enter into any Insurance Trust Agreement, or any successor to such trustee. Such insurance trustee shall have exclusive authority to negotiate losses under any property or liability insurance policy. Each unit owner appoints the Association, or any insurance trustee or substitute trustee designated by the Association, as attorney-in-fact for the purpose of purchasing and maintaining such insurance including: the collection and appropriate disposition of the proceeds thereof, the negotiation of losses and execution of releases of liability, the execution of all documents, and the performance of all other acts necessary to accomplish such purchase. The Association or insurance trustee shall receive, hold or otherwise properly dispose of any proceeds of insurance in trust for unit owners and their first mortgage holders, as their interests may appear.

(c) All property insurance policies shall contain a "Special Condominium Endorsement" or its equivalent providing for the following: recognition of any Insurance Trust Agreement, a waiver of the right of subrogation against unit owners individually, that the insurance is not prejudiced by any act or neglect of individual unit owners that is not in the control of such owners collectively, and that the policy is primary in the event the unit owner has other insurance covering the same loss.

(d) For purposes of this section, insurance policies are unacceptable where (i) under the terms of the insurance carrier's charter, bylaws or policy, contributions or assessments may be made against FannieMae, the designee of FannieMae, or the Association or unit owners, or (ii) by the terms of the carrier's charter, bylaws or policy, loss payments are contingent upon action by the carrier's board of directors, policy holders or members, or (iii) policy includes any limiting clauses (other than insurance conditions) that could prevent FannieMae or the owners from collecting insurance proceeds.

(e) All policies required by this section shall provide that they may not be canceled or substantially modified without at least ten (10) days' prior written notice to the Association and to each holder of a first mortgage which is listed as a scheduled holder of a first mortgage in the insurance policy. Evidence of insurance shall be issued to each unit owner and mortgagee upon request.

(f) Each unit owner shall be required to notify the board of directors of all improvements made by the owner to his or her unit, the value of which is in excess of five hundred dollars (\$500). Nothing in this paragraph shall permit an owner to make improvements without first obtaining the approval of the board of directors pursuant to Section 7.2.

(g) Any unit owner who obtains individual insurance policies covering any portion of the property other than such owner's personal property and fixtures shall file a copy of such individual policy or policies with the Association within thirty (30) days after the purchase of such insurance.

8.3 Optional Provisions.

The board of directors shall make every effort to secure insurance policies that will provide for the following:

(a) To the extent appropriate and available at reasonable cost, the Association shall maintain additional coverages against such other risks as are customarily covered with respect to projects similar in construction, location and use, including but not limited to, host liquor liability, contractual and all written contract insurance, employer's liability insurance, comprehensive automobile liability insurance, and an endorsement patterned after "use and occupancy" insurance providing relief from monthly assessments while a unit is uninhabitable due to a covered loss.

(b) If reasonably available, the insurance policies shall include Inflation Guard Endorsement, and Construction Code Endorsements (such as a Demolition Cost Endorsement, a Contingent Liability from Operation of Building Laws Endorsement, and an Increased Cost of Construction Endorsement).

(c) Flood Insurance, if the Condominium is in a Special Flood Hazard Area.

(d) If reasonably available, waiver of subrogation by the insurer as to any claims against the board of directors, any unit owner or any guest of a unit owner.

8.4 FannieMae and GNMA Requirements.

Notwithstanding any other provisions of this section, the Association shall continuously maintain in effect such casualty, flood and liability insurance and a fidelity bond meeting the insurance and fidelity requirements for condominium projects established by FannieMae and Government National Mortgage Association, so long as either is a mortgagee or owner of a unit within the Condominium, except to the extent such coverage is not available or has been waived in writing by FannieMae or Government National Mortgage Association. FannieMae or FannieMae's servicer, its successors and assigns, shall be named as a mortgagee in the Association's policies.

9 AMENDMENTS TO BYLAWS

9.1 How Proposed.

Amendments to the bylaws shall be proposed by either a majority of the board of directors or by unit owners holding thirty percent (30%) of the voting rights. The

proposed amendment must be reduced to writing and shall be included in the notice of any meeting at which action is to be taken thereon or attached to any request for consent to the amendment.

9.2 Adoption.

A resolution adopting a proposed amendment may be proposed by either the board of directors or by the unit owners and may be approved by the unit owners at a meeting called for this purpose or by ballot vote. Unit owners not present at the meeting considering such amendment may express their approval in writing or by proxy. Any resolution must be approved by unit owners holding a majority of the voting rights and by mortgagees to the extent required by the Declaration, except that (a) any provision of these Bylaws that is also contained in the Declaration must be approved by the same voting requirement for amendment of such provision of the Declaration, and (b) any amendment relating to pet restrictions, limitations on the number of persons who may occupy units, or limitations on the rental or leasing of units must be approved by unit owners holding eighty percent (80%) of the voting rights. Declarant's consent shall also be required so long as Declarant owns a unit in the Condominium. Such consent shall not be required after three years from the date of conveyance of the first unit to a person other than a successor declarant. Any amendment that would limit or diminish any special Declarant rights established in these Bylaws shall require the written consent of Declarant and any amendment to Sections 2.6, 3.7, 3.11, 3.16, 7.5, 9.2 and 10 of these Bylaws shall require the written consent of Declarant for a period of ten (10) years after the date of the turnover meeting described in Section 2.2.

9.3 Execution and Recording.

An amendment shall not be effective until certified by the chairperson and secretary of the Association as being adopted in accordance with these Bylaws and the provisions of the Oregon Condominium Act and recorded as required by law. Any amendment adopted within five (5) years after the recording of the initial bylaws shall be approved by the Oregon Real Estate Commissioner to the extent required by the Oregon Condominium Act.

10 LITIGATION

10.1 By Less than All Owners.

If any action is brought by one or more but less than all owners on behalf of the Association and recovery is obtained, the plaintiff's expenses, including reasonable counsel's fees, shall be a common expense; provided, however, that if such action is brought against all of the owners or against the board of directors, the officers, employees, or agents thereof, in their capacities as such, with the result that the ultimate liability asserted would, if proved, be borne by all the owners, the plaintiff's expenses,

including counsel's fees, shall not be charged to or borne by the other owners, as a common expense or otherwise.

10.2 Complaints Against.

Complaints brought against the Association, the board of directors or the officers, employees, or agents thereof, in their respective capacities as such, shall be directed to the board of directors, which shall promptly give written notice thereof to the owners and any mortgagees who have requested notice thereof and shall be defended by the board of directors, and the owners and mortgagees shall have no right to participate other than through the board of directors in such defense. One or more owners shall have the right to enjoin, abate, or remedy by appropriate legal proceedings any failure by the Association or the board of directors to comply with the provisions of the Declaration, these Bylaws, or any rule or regulation. Complaints against one or more, but less than all of the owners, shall be directed to such owners, who shall promptly give written notice thereof to the board of directors and to the mortgagees having an interest in such units, and shall be defended by such owners.

10.3 Mediation.

Prior to initiating litigation, arbitration or an administrative proceeding in which the Association and a unit owner have an adversarial relationship, all claims shall first be submitted to mediation within Multnomah County, Oregon with any dispute resolution program available that is in substantial compliance with the standards and guidelines adopted under ORS 36.175, as it may be amended. The foregoing requirement does not apply to circumstances in which irreparable harm to a party will occur due to delay or litigation or an administrative proceeding initiated to collect assessments, other than assessments attributable to fines.

10.4 Limitations on Actions.

Notwithstanding any other provision of the Declaration or these Bylaws, the Association shall not expend or commit to expend in excess of \$2,500 for attorneys' fees and costs for any specific litigation or claim matter or enter into any contingent fee contract on any claim in excess of \$20,000 unless first approved by at least eighty percent (80%) of the outstanding votes of the owners. The foregoing limitation shall not apply to actions for delinquent assessments or other charges under the Declaration or these Bylaws, for actions initiated by the Association during Declarant's period of administrative control pursuant to Section 18 of the Declaration; for actions challenging ad valorem taxation or condemnation proceedings; initiated against any contractor or vendor hired by the Association or supplier of goods and services to the Association; to defend claims filed against the Association or to assert counterclaims in proceedings instituted against it; actions to appoint a receiver pursuant to Section 5.7 of these Bylaws; actions to summarily abate and remove a structure or condition that violates the

Declaration or these Bylaws; or for the defense of the Association of an action or proceeding brought against the Association (except for non-mandatory counterclaims).

10.5 No Attorneys' Fees.

Except as specifically provided for in the Declaration or these Bylaws, no party in an arbitration, mediation or other proceeding shall be entitled to recover costs and attorneys' fees in connection therewith.

10.6 Suits Against Declarant.

Declarant shall have the right to be present at any meeting of the Association during which the board of directors or the owners vote on whether to initiate legal action against Declarant. The board of directors shall provide Declarant with at least 10 days' written notice of the time and place of any such meeting.

10.7 Initial Dispute Resolution Procedures.

In the event the Association or any unit owner has a dispute or claim against Declarant and/or any contractor, subcontractor, architect, engineer or supplier, the parties shall comply with the requirements of ORS 701.550 to 701.595 and the provisions of Section 21 of the Declaration.

11 MISCELLANEOUS

11.1 Notices.

All notices to the Association or to the board of directors shall be sent care of the manager, or if there is no manager, to the principal office of the Association or to such other address as the board of directors may designate from time to time. All notices to any unit owner shall be sent to such address as may have been designated by such owner from time to time, in writing, to the board of directors, or, if no address has been designated, then to the owner's unit.

11.2 Waiver.

No restriction, condition, obligation, or provision contained in these Bylaws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

11.3 Action Without a Meeting.

Any action that the Oregon Condominium Act, the Declaration or these Bylaws require or permit the owners or directors to take at a meeting or ballot meeting may be taken without a meeting or ballot meeting if a consent in writing setting forth the action so taken is signed by all of the owners or directors entitled to vote on the matter. The

consent, which shall have the same effect as a unanimous vote of the owners or directors, shall be filed in the records of minutes of the Association. Votes of the owners may be conducted by written ballot in lieu of a meeting, in compliance with the procedures set forth in ORS 100.425. For votes of the owners by written ballot, the board of directors shall provide owners with at least ten days' notice before written ballots are mailed or otherwise delivered. The notice shall state the general subject matter of the vote by written ballot, the right of owners to request secrecy procedures under ORS 100.425(2), the date after which ballots may be distributed, the period during which the Association will accept written ballots, the date and time by which any petition must be received by the board of directors requesting secrecy procedures, and the address where such a petition may be delivered. Notwithstanding the foregoing, action by written ballot in lieu of a meeting may not substitute for the turnover meeting, the annual meeting of the Association, a special meeting called at the request of the owners pursuant to Section 2.4 of these Bylaws, or any meeting of the Association for which the agenda includes a proposal to remove a director from the board of directors.

11.4 Invalidity; Number; Captions.

The invalidity of any part of these Bylaws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these Bylaws. As used in these Bylaws, the singular shall include the plural, and the plural the singular. The masculine and neuter shall each include the masculine, feminine and neuter, as the context requires. All captions are intended solely for convenience of reference and shall in no way limit any of the provisions of these Bylaws.

11.5 Conflicts.

These Bylaws are intended to comply with the Oregon Condominium Act and the Declaration. In case of any irreconcilable conflict, such statute and document shall control over these Bylaws or any rules and regulations adopted hereunder.

DATED this 18th day of April, 2008

WILLIAMS FIVE LLC, an Oregon limited liability company

By: _____
Corey V. Martin

STATE OF OREGON)
) ss.
County of Multnomah)

The foregoing instrument was acknowledged before me on _____, 2008 by Corey Martin as authorized representative of Williams Five LLC, an Oregon limited liability company, on behalf of the company.

Notary Public for Oregon
My Commission Expires: